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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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February 8, 2002

BY HAND

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
236 Massachusetts Avenue, N.E.
Suite 110
Washington, DC 20002

EX PARTE LETTER

Re: In re Federal-State Joint Board on Universal Service,
CC Docket No. 96-45, FCC 01-J-1

Dear Mr. Caton:

This letter is being filed, in duplicate, in accordance with the Commission's Rules, to report that the attached letter was sent today to Commissioner Abernathy and the other members of the Federal-State Joint Board on Universal Service. A copy was also sent to the legal advisors to the FCC members of the Joint Board.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,

Robert M. Halperin
Counsel for the State of Alaska

Enclosures

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FEDERAL COMMUNICATIONS COMMISSION
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BY E-MAIL AND HAND DELIVERY

Commissioner Kathleen Q. Abernathy, Chair
Federal-State Joint Board on Universal Service
Federal Communications Commission
445 Twelfth Street, S.W.
Room TW-A325
Washington, DC 20554

Re: *In re Federal-State Joint Board on Universal Service,*
CC Docket No. 96-45, FCC 01-J-1

Dear Commissioner Abernathy:

In its initial comments (filed November 5, 2001), the State of Alaska urged the Joint Board to address two serious universal service problems. The first problem is the unavailability of Internet access at reasonable speeds in many rural areas of Alaska, and the second is the limited amount of toll-free (local) calling available to residents of very small, isolated communities. The State wishes to address briefly certain reply comments that discussed the State's initial comments. It also wishes to bring to the Joint Board's attention a very recent study released by the National Telecommunications Information Administration (NTIA) that relates directly to issues facing the Joint Board and the Commission itself.

Transmission Service Sufficient To Permit Access To The Internet At Speeds Comparable To Other Americans. In its initial comments, the State urged the Joint Board to recommend expanding the definition of universal service to encompass a transmission path sufficient to allow residents of rural areas to access the Internet at speeds comparable to the speeds other Americans are able to achieve in accessing the Internet. To accomplish that goal, the State recommended expanding the required bandwidth for voice grade access to permit Internet access

at speeds typically achieved by 56 kbps modems, which have been standard speed modems in the marketplace for the last few years.

In its reply comments, filed January 5, 2002, the Rural Utilities Service (RUS) agreed with those (such as Alaska) urging the Commission to adopt an approach that would permit all Americans to access the Internet at a minimum, yet reasonable, rate of speed. It asserted that Internet access in rural areas is essential to reduce the information, communications, and economic development gaps between urban and rural areas. It also stated that, given the high cost of bringing broadband services to rural areas, "dial-up Internet access may provide rural America's only Internet access for years to come."¹

In many [rural] areas, the telephone system is the only practical way of obtaining access to the Internet. If the Commission continues to define voice grade bandwidth at its current level, the universal service support mechanism will continue to fail to provide rural communities with a modern rate of Internet access. For the development and survivability of rural communities, it is critical that the definition include[s] the capability to transmit and receive data at rates of at least 28 kilobits per second.²

From the State's perspective, the critical point of RUS' reply comments is the recognition from a federal agency expert in rural affairs that the Commission must take steps to assure that all Americans can access the Internet at a reasonable transmission speed. Although the State believes, for the reasons set forth in its comments, that the appropriate rate is the one typically achieved by 56 kbps modems, the basic point remains that some steps are necessary to address the critical problem of no or very slow reliable access to the Internet in many rural areas.

The recent NTIA report demonstrates that the specific standards the Joint Board and Commission are to consider in determining what services should be considered universal services have been satisfied. (See 47 U.S.C. § 254(c).) Some reply commenters contend that Internet access is not subscribed to by a majority of consumers.³ Yet NTIA's report entitled "A Nation Online: How Americans Are Expanding Their Use of the Internet," (released February 5, 2002), states that as of

¹ RUS Reply Comments, at 3.

² *Id.*, at 4.

³ AT&T Reply Comments, at 11 & n.40.

September 30, 2001, 50.5 percent of U.S. households subscribed to Internet access services.⁴ The report also demonstrates that Internet access has been growing rapidly. The growth rate in U.S. households subscribing to the Internet between August 2000 and September 2001 was about 25 percent.⁵ Thus, it is very likely that when the Commission issues its decision on this matter, the percentage of U.S. households accessing the Internet will be far higher.⁶

The NTIA report also demonstrates that Internet access is essential to education, public health and safety. With respect to education, NTIA reports that “children and young adults are most likely to use the Internet for school work. More than half of all children over age 10, and three-quarters of all young adults (18-24 years old) in school, use the Internet for this purpose.”⁷ Almost 80 percent of all Internet subscribers enrolled in school use the Internet to complete school assignments.⁸

The widespread use of the Internet for public health and public safety purposes is also apparent. Over 60 percent of all Internet subscribers use their access to obtain news related information.⁹ Almost 35 percent of Internet subscribers over the age of 15 use the Internet to obtain information on healthcare and almost 31 percent of such subscribers use the Internet to obtain information on

⁴ NTIA, “A Nation Online: How Americans Are Expanding Their Use of the Internet,” Figure 1-4, at page 8. This report can be accessed directly from NTIA’s website, <http://www.ntia.doc.gov/>.

⁵ *Ibid.*

⁶ The NTIA report may underestimate total ISP usage. Another source presents data showing that the largest 12 ISPs have over 1 million U.S. subscribers each who pay for access. These 12 ISPs have a total of approximately 54.5 million paying U.S. subscribers; all ISPs have a total of 110 million U.S. subscribers (including those subscribing to free services). See “ISP Planet – Market Research – Top US ISPs by Subscriber Q3 2001,” <http://www.isp-planet.com/research/rankings/usa.html>. (Only the billable users of United Online (NetZero and Juno Online) are included in the 54.5 million amount set forth above.)

⁷ NTIA, *supra*, at page 57 (emphasis added).

⁸ *Id.*, Figure 3-2, at page 34.

⁹ *Ibid.*

government services.¹⁰ Given the paucity of other information resources in many rural areas (particularly in isolated rural Alaskan communities), the rates of Internet usage for these purposes are likely even higher in rural areas.

NTIA concludes its report stating that “we are more and more becoming a nation online: a nation that can take advantage of the information resources provided by the Internet, as well as a nation developing technical skills to compete in our global economy.”¹¹ The State urges the Joint Board and the Commission to take the steps necessary to assure that the residents of our most rural areas are not left behind.

Limited Toll Support for Low Income Households With Small Local Calling Areas. In its initial comments, the State demonstrated that residents in most rural Alaskan communities are able to make local (toll-free) calls to a very small number of other telephone lines. Whereas most Americans can call their local government, schools, doctors, and hospitals with no charge, residents of most rural Alaskan communities (and perhaps residents of isolated rural communities elsewhere) cannot do so. Thus, in these communities, local exchange service is not comparable to local exchange service elsewhere.

This problem is particularly acute for low-income households in which toll charges discourage telephone penetration. To alleviate the burdens associated with high toll charges for low-income residents residing in areas with a small local calling area,¹² the State’s initial comments encouraged the Joint Board to recommend that the basket of universal services be expanded to include a credit in the range of \$10 to \$18 per month for intrastate toll calls made by low-income consumers residing in areas with no more than 500 to 1000 access lines.¹³

This proposal received little specific criticism in the reply comments. While supporting the narrow focus of this proposal (in that it would provide support only for low income households), the Ad Hoc Telecommunications Users Committee

¹⁰ *Ibid.*

¹¹ *Id.*, at page 95.

¹² The term “small calling areas” refers to the number of access lines included within the local exchange area, not the size of the geographic area encompassed within the local exchange area.

¹³ The derivation of this amount is set forth in the State’s comments at pages 31-32.

opposed the proposal because it would provide support for services that are not “core” services.¹⁴ This argument ignores the fact set forth above that the proposal is necessary to make local exchange service in these communities somewhat comparable to the core services received by the vast majority of Americans. The argument also appears circular because the Joint Board will recommend – and the Commission will determine – in this very proceeding what services are to be included in the definition of “core” services.¹⁵

Other parties suggested that issues unique to Alaska should be resolved in a separate proceeding.¹⁶ This argument ignores a most fundamental point: Congress, by enacting the Telecommunications Act, intended all Americans – regardless of where they live – to have the ability to obtain certain telecommunications services at costs and other terms and conditions comparable to those available to Americans in urban areas. 47 U.S.C. § 254 (b)(1) – (3). Even if the problem were limited to a particular state, Congress has concluded that addressing the problem is, at least in significant part, a federal responsibility. In any event, although the problem of limited local calling areas is particularly acute in Alaska, it is not one that appears to be limited to Alaska.

The State of Alaska sincerely appreciates your continued attention to these issues.

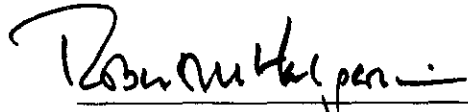
¹⁴ Ad Hoc Telecommunications Users Committee Reply Comments, at pages 16-17.

¹⁵ Ad Hoc also apparently perceives the issue raised by Alaska’s proposal to be one of intrastate ratemaking. It is no such thing. The issue is not what intrastate rates should be, but whether federal universal service support should be provided to help support a basic level of telecommunications services to which all Americans should have access.

¹⁶ *See, e.g.*, Reply Comments of Competitive Universal Service Coalition, at pages 16-17; Reply Comments of United States Cellular Corp., at page 7 & n.13.

Commissioner Kathleen Q. Abernathy
February 8, 2002
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Respectfully submitted,



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Commissioner J. Thomas Dunleavy
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G. Nanette Thompson, Chair
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William F. Caton, Acting Secretary

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